



FINAL MINUTES

LAFCO REGULAR MEETING

Wednesday, March 14, 2007, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza
Santa Ana, CA

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Chair Bill Campbell called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:00 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner John Moorlach led the pledge of allegiance.

3. OATH OF OFFICE – COMMISSIONER BATES

Chair Campbell indicated that **Commissioner Bates** was not currently present and that the oath of office would be administered after her arrival.

4. ROLL CALL

The following commissioners and alternates were present:

- **Commissioner Bill Campbell**
- **Commissioner Bob Bouer**
- **Commissioner Peter Herzog**
- **Commissioner John Moorlach**
- **Commissioner Arlene Schafer**
- **Alternate Commissioner Charley Wilson**

The following LAFCO staff members were present:

- Legal Counsel Clark Alsop
- Executive Officer Joyce Crosthwaite
- Assistant Executive Officer Bob Aldrich
- Senior Project Manager Carolyn Emery
- Office Manager/Commission Clerk Amy de la Roza
- Intern Christian Pape

5. APPROVAL OF MINUTES

February 14, 2007 – Regular Commission Meeting Minutes

Executive Officer Crosthwaite indicated that the date of the February minutes should be corrected to read February 14th, not February 15th.

MOTION: Approve minutes from February 14, 2007 with revision (Arlene Schafer)
SECOND: Peter Herzog
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Charley Wilson
AGAINST: None
ABSTAIN: None
MOTION PASSED

(Commissioner Bates entered the meeting at 9:05 a.m.)

6. PUBLIC COMMENT

Chair Campbell requested public comments on any non-agenda item. Receiving no comments, he then closed the public comment agenda.

7. CONSENT CALENDAR

None

8. CONTINUED PUBLIC HEARING

Item 8.a – Westminster Sphere of Influence (SOI) Oral Update

Senior Project Manager Carolyn Emery presented an oral update on this item. She indicated that in December 2006 the Commission received and filed the City of Westminster Municipal Service Review (MSR). She stated that no action was taken by LAFCO at that time regarding the City's sphere of influence (SOI) to allow the City additional time to evaluate the potential inclusion of a small unincorporated island, located near Beach Boulevard and Mc Fadden Avenue, within their SOI. Ms. Emery further stated that the island is currently located in the City of Huntington Beach sphere of influence. She informed the Commission that a fiscal analysis is currently being conducted regarding the impacts of annexation and that once that study is complete, staff will return to Commission with a proposed update to the Westminster SOI.

Commissioner Pat Bates was administered the oath of office by Office Manager/Commission Clerk Amy de la Roza.

9. PUBLIC HEARING

Item 9.a. – Adoption of Proposed LAFCO Budget for Fiscal Year 2007-2008

Assistant Executive Officer Bob Aldrich presented the staff report on this item. Mr. Aldrich indicated that the FY 2007-2008 budget adoption process is a two-step process

with a proposed budget requiring adoption by no later than May 1st of each year and a final budget requiring adoption by June 15th. He reminded the Commission that once a proposed budget is adopted, it is sent out for a lengthy review period to LAFCO's funding agencies – the County, cities and special districts – for comment prior to the Commission's adoption of a final budget at the May 9, 2007 meeting. He noted that in FY 2005-2006, the Commission adopted a three-year budget with a six percent increase for each of the fiscal years. Mr. Aldrich indicated that the proposed FY 2007-2008 budget is proposing a four percent increase to our funding agencies, a two percent reduction below what was previously approved by the Commission. He indicated that the reduction was possible due to the recent office reorganization which resulted in a reduction of LAFCO staff and related salary and benefits savings.

In terms of revenues, Mr. Aldrich indicated that 95 percent of the agency's revenues come from LAFCO's funding agencies, with the County, cities and special districts each paying approximately \$362,000 for FY 2007-2008. He further stated that formulas adopted by the League of Cities - Orange County Division, and the Independent Special Districts of Orange County were used to calculate individual costs for each city and special district. Finally, Mr. Aldrich indicated that staff salaries, benefits and professional services, which include legal representation, human resources, GIS mapping, auditing, and bookkeeping services, comprise the bulk of agency expenditures for FY 2007-2008.

Chair Campbell asked if there were any Commission comments on the proposed budget.

Commissioner Moorlach questioned the proposed \$51,000 decrease in employee salaries for FY 2007-2008. Mr. Aldrich indicated that two of LAFCO's administrative positions have been merged into a single position which accounted for the projected salary savings. He also stated that a Project Manager position is currently vacant, but is funded through FY 2007-2008.

Commissioner Moorlach opined that if the vacant Project Manager position remains unfilled, the agency would see additional salary savings in FY 2007-2008. Mr. Aldrich concurred with **Commissioner Moorlach**. Executive Officer Crosthwaite indicated that if the vacant position was filled, it would likely be filled at an Analyst I level which has a salary range below the Project Manager position.

Commissioner Moorlach questioned the proposed increase in telephone and public noticing costs in FY 2007-2008 over the current fiscal year. Mr. Aldrich explained that staff had underestimated telephone and noticing costs in FY 2006-2007 and wanted sufficient funding to fully cover those costs in FY 2007-2008.

Commissioner Moorlach questioned the projected increase in the Professional Services budget category. Assistant Executive Officer Aldrich responded that this category includes consultants which assist staff in special studies. Executive Officer Crosthwaite further explained to the Commission that specialized expertise is needed to conduct fiscal analyses for various proposals to further the Commission's Strategic Plan.

Chair Campbell indicated that there was a discrepancy in the revenues when comparing the FY 2005-2006 budget actuals to the revenue figures used in the 2006 financial report. Assistant Executive Officer Aldrich indicated that he would research the issue and respond to **Chair Campbell's** question after a review of the files.

Chair Campbell opened the public hearing. Receiving no comments from the public, **Chair Campbell** closed the public hearing.

MOTION: Approve staff recommendations including adoption of the proposed LAFCO operations budget for FY 2007-2008 (John Moorlach)
SECOND: Arlene Schafer
FOR: Bill Campbell, Pat Bates, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Charley Wilson
AGAINST: None
ABSTAIN: None
MOTION PASSED

10. COMMISSION DISCUSSION AND ACTION

Item 10a - LAFCO Audit

Assistant Executive Officer Aldrich provided a summary of the FY 2005-2006 audit conducted by Moreland & Associates. He stated that the audit found no irregularities in LAFCO's financial reporting, bookkeeping or internal office procedures and controls. He further indicated that a management letter, which is typically issued by audit firms to disclose areas of concern, was not issued as part of this audit. Finally, Mr. Aldrich reminded the Commission that Moreland & Associates has conducted audits for LAFCO for the last five fiscal years and that the Commission's financial policies now require a change in auditors.

Commissioner Moorlach questioned whether there was any flexibility in the Commission's policy requiring a change in auditors every five years.

Commissioner Herzog responded that the audit policy was discussed at some length by the Commission about six years ago and the consensus at that time was that a change in auditors had merit in ensuring that a LAFCO's financial records were above reproach.

While appreciating and understanding **Commissioner Herzog's** concerns, **Commissioner Moorlach** indicated that Moreland & Associates was a widely respected firm which does good work and that a mandatory change in auditors every five years may be overkill.

Chair Campbell asked **Commissioner Moorlach** if he would like the audit policy brought back before the Commission for further discussion. **Commissioner Moorlach** indicated he thought that it may be worth additional review, and staff was directed to bring the policy back for further discussion at the May 9, 2007 meeting.

MOTION: Receive and file the FY 2005-2006 LAFCO audit report (John Moorlach)
SECOND: Arlene Schafer
FOR: Bill Campbell, Pat Bates, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Charley Wilson
AGAINST: None
ABSTAIN: None
MOTION PASSED

Item 10b – Legislative Report

Senior Project Manager Emery presented the legislative report. Ms. Emery indicated that the CALAFCO legislative committee has expressed interest during the current legislative session in reform of the CSA law, changes to the sphere of influence amendment and MSR requirements and disclosure of contributions for LAFCO proceedings. She also referenced a summary of active bills included in the staff report for this item along with recommended positions.

Chair Campbell thanked **Commissioner Herzog** for representing Orange LAFCO at CALAFCO and securing CALAFCO support for the bill which would require contribution disclosure on LAFCO-related proceedings.

Commissioner Herzog referenced copies of three bills which were included in the Commissioners' packets: AB 1019, AB 1263 and SB 162. He indicated that these bills were indicative of a trend he has been seeing in Sacramento in which the State continues to exert more power and intervene in peoples' lives. **Commissioner Herzog** noted that there were 1,754 bills introduced this year and that it was impossible for anyone to fully comprehend their impact, particularly given their interaction with current code sections. He specifically referenced AB 1263 and SB 162 and warned that these bills could be the start of the State taking over land use authority not only from cities but special districts as well. He further cautioned that legislation has to be looked at with a different eye and that often we become so focused on individual bills we can miss the bigger picture.

Commissioner Moorlach expressed concern with language in SB 162 which references "environmental justice" and recommended the Commission consider an "oppose" position instead of a "watch" position on this bill

Commissioner Herzog responded that in light of SB 162 coming back to CALAFCO in early May, he respectfully requested that the Commission keep a "watch" position while setting forth our issues and concerns with the proposed law.

Commissioner Schafer related that she had just returned from Sacramento as part of the California Special Districts Association (CSDA). She indicated that CSDA voted to support SB 819 but took a "watch" position on the Silva bill.

Chair Campbell questioned Commissioner Herzog about the benefit of mandating a "watch" position on SB 162, instead of taking an "oppose" position.

Commissioner Bates recommended that the Commission oppose any legislation using the term “environmental justice” because of its far reaching land use implications.

Commissioner Moorlach stated that he supported an “oppose” position on SB 162 unless amended and made a motion to that effect. **Commissioner Moorlach’s** motion was seconded by **Commissioner Bates**.

Commissioner Herzog requested that if that ends up being the Commission’s position on SB 162, that the Commission hold off writing letters to legislators regarding this position until after the CALAFCO Legislative Committee meeting in May. He stated that this could increase his effectiveness in explaining to some people that supporting the bill is not a good idea.

MOTION: Oppose SB 162 and withhold writing letters to legislators regarding SB 162 until after the May 2007 CALAFCO Legislative Committee meeting (John Moorlach)
SECOND: Pat Bates
FOR: Bill Campbell, Pat Bates, Bob Bouer, John Moorlach, Arlene Schafer, Charley Wilson
AGAINST: Peter Herzog
ABSTAIN: None
MOTION PASSED

Chair Campbell asked for a motion on the balance of the legislative report.

MOTION: Receive and file the balance of the quarterly legislative report and adopt the positions outlined therein (John Moorlach)
SECOND: Arlene Schafer
FOR: Bill Campbell, Pat Bates, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Charley Wilson
AGAINST: None
ABSTAIN: None
MOTION PASSED

11. Commissioner Comments

Chair Campbell opened the floor for comments. He reminded Commissioners that Form 700 was due to LAFCO staff no later than April 1st. He also requested that the Executive Officer provide the Commission with an update on the upcoming Municipal Water District of Orange County (MWDOC) Municipal Service Review.

Executive Officer Crosthwaite responded that the MWDOC MSR will be considered by the Commission in May and that both the May and June meetings will likely prove to be very interesting with MWDOC, the return of the Newport Beach and Costa Mesa annexation and sphere applications, and the balance of our service reviews.

Commissioner Moorlach inquired whether there were any additional changes to the draft MWDOC MSR report. Executive Office Crosthwaite responded that there was an additional stakeholder meeting scheduled for Monday, March 19th, and it was possible that additional changes may be incorporated following that meeting.

Commissioner Moorlach informed the Commission that he and his staff have been conducting weekly meetings with the Cities of Costa Mesa and Newport Beach and he believed progress has been made in resolving boundary and other issues between the two cities.

Executive Officer Crosthwaite indicated that the community of Rossmoor will be circulating a petition of incorporation. She stated that the Rossmoor Community Services District is spearheading the incorporation effort and that should sufficient signatures be submitted, staff will be working to secure a qualified fiscal consultant to conduct a compressive financial analysis for the proposal.

Commission Bob Bouer announced that the City of Laguna Woods will be celebrating their 8th birthday with a celebration on March 23rd.

12. Information Items & Announcements

None

13. Closed Session

The Commission went into closed session and considered the evaluation of the Executive Officer. After the conclusion of the closed session, the Commission adopted, in open session, a resolution adjusting the compensation of the Executive Officer.

The meeting adjourned at 10:20 am.

BILL CAMPBELL

Chair

Orange County Local Agency Formation Commission

By: _____



Bob Aldrich

Assistant Executive Officer